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Effect of Cash Management on The Financial Performance of Cooperative Banks in Rwanda: A Case of Zigma CSS

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ABSTRACT: *This paper analyses the effect of cash management on the financial performance of cooperatives banks in Rwanda. A descriptive research design was used. The population comprised of 148 employees of ZIGMA CSS from which a sample of 108 employees was determined using Solvirn and Yemen's formula. Data was collected from both primary and secondary sources using questionnaires and document analysis. Data was presented using frequency tables from which analysis was made. A multi regression analysis was used to analyse relationship between the variables. The results from the survey revealed that ZIGMA CSS uses various cash management techniques in the cash management. The results further revealed a strong relationship between cash management and financial performance of ZIGMA CSS. The study concludes that cash management is a key tool in the financial management of the banks since cash forms the biggest asset of the bank. Cooperatives banks should ensure that they develop policies in effective cash management.*

KEY WORDS: *CASH MANAGEMENT, FINANCIAL PERFORMANCE*

I. INTRODUCTION

Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. The goal is to manage the cash balances of an enterprise in such a way as to maximize the availability of cash not invested in fixed assets or inventories and to do so in such a way as to avoid the risk of insolvency, (Mitnick, 2009). Factors monitored as a part of cash management include a company's level of liquidity, its management of cash balances, and its short-term investment strategies (Brock et al. 2008). Cash management is a broad term that covers a number of functions that help individuals and businesses process receipts and payments in an organized and efficient manner. Administering cash assets today often makes use of a number of automated support services offered by banks and other financial institutions (Ismi, 2004). The range of cash management services range from simple check book balancing to investing cash in bonds and other types of securities to automated software that allows easy cash collection; many companies are having negative cash flows which result into Cash mismanagement. Claassen and Van Hottoren (2012), hold that cash management can be defined as "theories and methods for handling liquid capital" Larsson discusses; cash management consists of e.g. handling liquid capital and cash flow. Larson holds that many organizations neglect their work with cash management. This neglect arises from the shortcoming of e.g. efficient payment routines and trade receivables. Larsson describes that these routines easily can be obsolete if organizations don't focus enough on follow up and developing existing routines. Cash Management is the management of the cash balances of a concern in such a manner as to maximize the availability of cash not invested in fixed assets or inventories and to avoid the risk of insolvency. .

Roseberg, (2010) noted that, cash management is of importance for both new and growing businesses. Companies may suffer from cash flow problems because of lack of margin of safety in case of anticipated expenses such that they experience problems in finding the funds for innovation or expansion. Weak cash flow and misconception that high revenues result in high profits but fail to realize that the physical cash isn't obtained from those revenues, banks will have insufficient cash to pay off expenses and will ultimately face liquidity problems and this makes it difficult to hire and retain good employees which results on poor performance of banks (Bomberg and Klaus 2008). The lack of support in terms of cash management knowledge and services for financial institutions forms part of the motivation for the study. A further motivation for this study is that, to date, no previous research on this topic was found for the region and geographical scope concerned, i.e. Banque Populaire du Rwanda (BPR) Mukamira S/branch. This study investigates the impact of cash management on the performance of commercial banks Since the introduction of Structural Adjustment Programs (SAP) in the late 1980's, the banking sector worldwide has experienced major transformations in its operating environment. Countries have eased controls on interest rates, reduced government involvement and opened their doors to international banks (Ismi, 2004). Due to this reform, firms of the developed nations have become more visible in developing countries through their subsidiaries and branches or by acquisition of foreign firms. More specifically, foreign banks' presence in other countries across the globe has been increasing tremendously. Since 1980's, many foreign banks have established

their branches or subsidiaries in different parts of the world. In the last two decades or so, the number of foreign banks in Africa in general and Sub-Saharan Africa in particular has been increasing significantly. On the contrary, the number of domestic banks declined (Claessens and Horne, 2012). Although Rwandan banks have shown tremendous transformation for the last 20 years, there are still some existing challenges such as poor credit culture, which has led to low financial penetration in the country, limited institutional capacity as well as poor loan quality and high non-performing loans (Fin scope, 2015). These have attracted the interests of researchers to examine bank performance in relation to these financial management practices. Therefore, the researcher sets out to establish the causative factors behind this stagnation in the growth of financial institutions in Rwanda with a particular interest in the financial management practices employed and their effect on the bank's performance taking Zigama CSS as a case study.

II. THEORETICAL AND CONCEPTUAL REVIEW

Market Timing Theory: Market timing has great importance in identifying firm's performance during organizing the proper financial structure Baker and Wurgler (2002). By putting it in a different way, the financial preferences of the firms indicate the results of precedent modifications of their stock prices plus the aspiration to time the market. Certainly, managers seize the benefit of the circumstances to issue shares to alleviate the pressure of debt constrictions and in that way amplify the opportunity of its entrenchment; throughout the phase of market expansion and affluence. When the environment is an unpromising financial market that matches a stringent control implemented by the mass of shareholders, officers are limited towards requirements as well as restrictions forced by means of the market; in search of issuing less risky debt. Baker and Wurgler (2002) critique relating past market-to-book ratios to capital structure, the pecking order and static trade-off theories have ever more challenged by the market timing theory. Wurgler and Baker's substantiation that securities issued over a year have prolonged effects on capital structure has challenged by a range of most recent papers. Business executives seem to vigorously employ their financing decisions with market timing. Two-third of business executives have the same opinion that "the quantity through which our stock is overvalued or undervalued was an essential or very essential concern" in the decisions of equity issue; in a survey by Graham and Harvey (2001). The market timing theory and the pecking order theory has the key distinction whether the supposition of semi-strong form marketplace effectiveness is maintained.

The assumption of pecking order theory that markets are semi-strong proficient, therefore the declaration outcome of security issues is the prime proxy for the extent of information irregularity. The market timing theory does not depend on the postulation of semi-strong form marketplace effectiveness. Only if the relative cost of equity shows a discrepancy over time for either illogical or logical grounds, so the window of opportunity exists. Alti and Sulaeman (2012) document in their study that such timing behaviour is exhibited by firms in response to higher returns that happens with strong investment demand by institutions. They further explain that if institutional purchases don't accompany such returns, equity issuance will show a little impact by stock price increases.

Factors of cash management: According to Said (2011), there is need for proper management of cash, since it is the most important current asset for the operation of business. The firm should keep sufficient cash, neither more or less. Cash shortage will disrupt the firm's operations, while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Pandey suggested the cash budget; Cash planning, cash collection and cash control.

Cash budget : A cash budget is a tool used to manage the cash flow of a business. This is a budget that is focused on the cash coming into the business and the cash that leaves the business.

Kamau (2010) believed that the cash budget is most important to a small business. The cash budget is used to foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments.

Transaction takes place customer takes possession of product customer pays installment +
Interest customer pays installment + interest customers account paid in full.

A cash budget is defined as an instrument used to alert business owners on problems such as cash shortages as well as the opportunities that could arise from cash surpluses (Sangmi and Tabassim, 2010). According to Weston and Copeland (2011), a cash budget is a budget that describes the flow of cash that comes into and goes out of the business.

He continued describing a cash budget as tool that is drawn up in businesses to ensure that there is adequate cash to achieve all operational goals. Cash budget as a budget which incorporates cash received from revenues and other incomes and the estimation of cash payments and outflows in the business to determine how much cash the business has available (Narman et al, 2008). He explained that, by using a cash budget, the company can determine potential usages for the planned incomes as well as how to plan for future payments. From the above definitions, it can be deduced that the cash budget is an essential planning tool to enable businesses to detect surpluses and shortages so that businesses can take the necessary remedial measures to sustain profitability. However, the basis for successful working capital management is to monitor and balance cash flows of a Banks. Mitnick (2009) emphasized the importance of the commonly used phrase "cash is king", by saying that cash is constantly moving through the business. Cash enters the business as the customers pay for the products bought and cash leaves the business as payments are made to suppliers and for other operating expenses that the business incurs.

Managing Cash flows: Once cash budget has been approved, and appropriate net cash flow established, the financial manager should ensure that there does not exist a significant deviation between projected cash flows and actual cash flows. To achieve this, there will have to be proper control of cash collections and disbursements.
According to Ismi (2004), cash management in the modern corporation involves two simple rules:

- ✓ Speed up cash collection (Cash Inflow) – minimize collection float,
- ✓ Slow down cash disbursement (Cash Outflow) – maximize disbursement float.

Narman et al (2008) stated that the objective of cash management in cash collection is to speed up collections and to reduce the lag time between the time consumer pays their bills and the time the cheques are collected. While the objective of cash management in disbursements is to control payments and minimize the cost associated with making payments. The rule is to accelerate collections and delay disbursement.
Therefore, it can be concluded that objective of management of collection and disbursement is to collect it faster, keep it longer and spend it slower.

The authors highlighted the importance of cash management by saying that it's vitally crucial to have a good knowledge of cash flows due to the uneven nature of the cash inflows and cash outflows. They also emphasized that the single thing which can break a business is the poor management of cash flow. The amount of time spent on understanding cash flow and the attention given to it can literally determine whether the business will survive or not. Said (2011) mentioned that cash flow of a business can only be derived once the difference is distinguished between sales revenue and cash receipts. When a transaction occurs, the revenue is recorded and profits increase. The cash flow is not affected at this point, unless the transaction was a cash sale. Only when the cash is generated from the sale, or when the customers pay off the outstanding amount due, cash receipts are generated and cash inflows increase. In the same way, it is also necessary to differentiate between expenses and cash payments. Expenses occur when the items such as electricity are used or wages are owed. Payments occur when cash is paid for those expenses that were used, e.g., payments for loans and wages. Once the differentiation between the cash inflows and sales revenues are made, it is vitally important that all small business managers and owners draw up cash budgets to easily forecast when the cash will enter and when cash will leave the business. Hulme and Mosley (2016) also expressed that, in order to escape a negative cash flow occurring by small businesses, managers and owners need to incorporate the following measures in their business. These assure monitor the availability of cash and handle the cash inflow and outflow of the businesses

Know where you stand: The first step is to know what cash flow balance is. By just drawing up a statement of comprehensive income alone will not indicate the company's cash flow position. A statement of comprehensive income only indicates the revenues, incomes, operating expenses and net profits for a certain period. The cash inflow and cash outflow of a business are illustrated in a cash flow statement.

Plan not to fail: It is essential to plan for the future period especially in an unpredictable economy. Without proper planning, businesses can't avoid failure. By recognizing the difficulties in the business, proper measures can be put in place well in advance to overcome these challenges.

Reassess budgets and major expenses: In terms of the phrase frequently used, "cash is king", monitoring cash in a slower economy, with smaller profit margins and where payments take longer to be met, is very important (Bamberg and Klaus, 2008).

Cash Planning: Cash planning is a technique to plan for and control the use of cash. It protects the financial conditions of the firm by developing a projected cash statement from a forecast of expected cash inflows and outflows for a given period. Thus, cash planning helps to anticipate future cash flows and needs of the firm thereby reducing the possibility of idle cash (which lowers firms profitability) and cash deficit (which can cause firm's failure). According to Kamau (2010), Cash planning is not a science but rather an on-going, iterative process that involves many parts of the organization. It can be done on daily, weekly, or monthly basis. The period and frequency of cash planning depends on the size of the firm and the philosophy of management. Brock et al (2008) stated that "A cash forecast, or cash plan, or cash budget, is a projection of the anticipated cash receipts and disbursements and the resulting cash balance within a specified period''.

Brock et al. (2008) describes cash management as the basic tool of running a business and cash forecast as the working tool of cash management. Kamau (2010), defined cash budget as a summary statement of the firm's expected cash inflows and outflow over a projected period of time. Hulme and Mosely (2016) also referred to Cash budget as a financial statement that mirrors cash flows of an organization incorporating the timing of such cash flows.

Cash Collection: To accelerate collections and reduce collection time; lock boxes, concentration banking and electronic fund transfer are techniques majorly used. Weston, & Copeland (2011) explained that the lock boxing techniques started after Second World War when banks identified a business opportunity in managing the collection of float for companies. This technique was developed to reduce the involvement of corporate clients in the handling of incoming cheques. It requires company to organize different receipts of cash centers where they have their customers through lock up boxes at different post offices nearer to the customers. This is a special post office boxes set up to intercept and speed up account receivable collection.

According to Weston, & Copeland (2011 (2012), lock boxing involves; receiving mails (cheques) in a bank-controlled post office box, picking up mails (cheques) at several times in a day, taking mails (cheques) back to the bank processing site, opening and sorting mails, determining if any cheques received should not be deposited based on instructions from the company. Such cheques may be with wrong payee, postdated cheques etc., taking copy or image of cheques approved for deposit, depositing all acceptable cheques received, assigning availability and clearing deposited cheques and sending electronic information about the remittances to the company with physical copies of cheques, cheques not deposited and the remittance documents.

According to Said (2011), there are other four cash collection techniques namely letters, telephone calls, personal visits and legal action. Letters are written communication of expressions, opinions and communication recorder for later reference. After a certain number of days, the firm sends a polite letter reminding the customer of the overdue accounts. If the account is not paid within a certain period after this letter has been sent a second more demanding letter is sent. A telephone call is a connection established over a telephone network between two parties. If letters prove unsuccessful, a telephone call may be made to the customer to request immediate payment. If a customer has a reasonable excuse, arrangements may be made to extend the payment period.

Personal Visits involves sending the credit controller to confront the customer and this can be very effective. Payment can be made on spot. Legal action is a judicial proceeding brought by one party against the other for a wrong doing.

Cash Concentration: This is similar to lock boxes with the exception that different local banks are appointed as collection centers. It refers to the practice of moving cash from multiple banks into the firm's main account. Weston, & Copeland (2011) described this as a system of operating through a number of **collection** centers instead of a single collection center centralized at the firm's Head office. According to Weston, & Copeland (2011), concentration is an excellent solution to solving the problem of inefficient management of treasury where with subsidiaries and branches maintain individual banks accounts resulting into serious tracking and reconciliation problem by the head office. He further explained that with cash concentration, cash in multiple accounts is pooled either through physically sweeping or notional pooling.

Importance of cash management practices: According to Weston, & Copeland (2011), the importance of managing cash in a business comprises of the following advantages:

- Managing cash helps in achieving liquidity in a business and proper control;
- It assists in the planning towards reducing cash expenses and increasing cash receipts to ensure the business is liquid;

- Proper managed cash is vital as the future cash flow behaviour cannot be predicted, therefore, it's essential to plan; and
- Through proper controls of cash, procedure could be implemented to cater for innovations for cash receipts and cash payments in the business.

Brock et al. (2010) emphasized the importance of cash management practices by saying that cash management embodies all incomes and payments made within a certain period, highlighting potential inconsistencies which can appear for that period. Good cash management is necessary because too much cash is costly, as one is paying interest on cash that is not needed. Too little cash is also costly, because businesses are missing out on discounts or opportunities because of a lack of cash or silently liquidating the business by not promptly replacing inventory due to shortage of cash. Cash management practices are the most crucial task for business managers. The business becomes insolvent when it fails to pay back the money owed timorously, which is the primary reason for bankruptcy among small businesses. The prospect of such an implication should force businesses to efficiently manage their cash with caution.

Proper cash management prevents bankruptcy, thereby increasing profitability and sustainability of businesses (Said, 2011). Proper and efficient cash management is imperative to recently established and growing small businesses. The cash flow of a small business could become problematic when the business deals with a number of customers who are difficult to track and when the business sells products higher in demand than their competitors. Narman et al. (2008) emphasized the importance of cash management practices by saying that cash management embodies all incomes and payments made within a certain period, highlighting potential inconsistencies which can appear for that period. Numbers are the language of business. All activities of any business are expressed in numbers. The ability to understand the value of these numbers will ultimately indicate the ability to understand the business. Consequently, McMahon (2006) stated that "When you are out of cash, you are out of business".

Theories related to financial performance: According to Sangami Tabassum (2010), Commercial Banks are financial intermediaries raise funds primarily by issuing checkable deposits (deposits on which checks can be written), savings deposits (deposits that are payable on demand but do not allow their owner to write checks), and time deposits (deposits with fixed terms to maturity). By almost any measures commercial bank is the most important financial intermediary serving the public today. For example, commercial banks hold more assets than any other financial institution. Banks also represent a vital link in the transmission of government economic policies (particularly monetary policy) to the remainder of the economy. When bank credit is scarce and expensive, spending in the economy slows and unemployment usually rises. Fluctuations in the availability and cost of bank credits also have profound implication for inflation. This is not surprising because bank deposits represent the most significant component of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy (Bamberg and Klaus, 2008). Commercial bank can be public when it belongs to the State or private when it belongs to individuals.

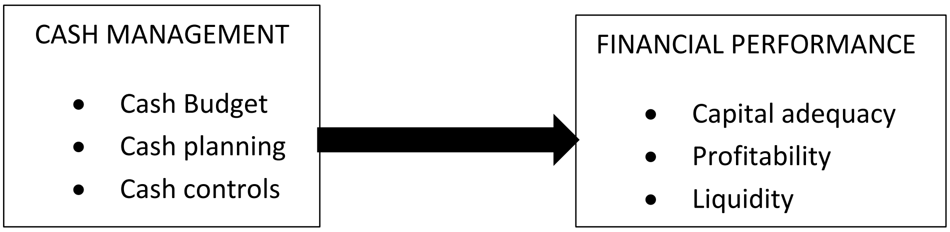
Financial performance: Financial performance is a subjective measure of how well a firm can use its assets from its primary role of conduction of business and its subsequent generation of revenues. Financial performance is also used as a general measure of a firm's overall financial status over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in totality.

The financial performance is measured using accounting Key Performance Indicators such as Return on assets, return on sales, Earnings before interest and tax, Economic value added or Sales growth and liquidity ratio (Bamberg and Klaus, 2008The advantage of these measurements is their general availability, since every profit-oriented organization produces these figures for their yearly financial reporting (Bamberg and Klaus, 2008). This study was interested much with financial performance and used Return on assets which represents the amount of EBIT a firm can achieve for each dollar of assets it controls and return on equity which both are good indicators of a firm's profitability.

Financial performance indicators: Under this section the research describes all financial performance indicators such Solvency ratios, liquidity ratios and profitability ratios.

Solvency ratio: According to Kamau (2010), Solvency is the key metric used to measure an enterprise's ability to meet its debt and other obligations. The solvency indicates whether a company's cash flow is sufficient to meet its short-term and long-term liabilities. Solvency is conceptualized by debt ratio which is a ratio that indicates the proportion of a company's debt to its total assets.

Conceptual Framework



Source: Researcher 2018

Figure 2.1 conceptual framework

Figure 2.1 illustrates the conceptual framework model of the study which depicts the empirical relationship between the independent variable "cash management" and dependent variable "profitability of financial institutions". From this conceptual framework model, it is shown that the dependent variable is indicated by cash budget, managing cash flows, cash planning, cash collection and cash concentration. Moreover, the dependent variable is indicated by solvency ratios, liquidity ratios and profitability ratios. However, the relationship between these variables is moderated by exogenous variables "intervening variables" namely economic conditions, legal and political framework, size of the institutions and competence of the management team in the institution considered.

III. METHODOLOGY.

Research Design: The researcher used a descriptive research design in order to come up with an in-depth analysis on the effects of internal controls on the financial performance of financial institutions in Rwanda. A descriptive is better place to address the research problem rather than a statistical survey as it narrows down a very broad field of research into one or a few easily researchable units. It was a useful method because the phenomenon under study was closely examined and analysed in order to come up with credible facts to support any conclusions made by other researchers. This design was appropriate for this study because it allowed the researcher to get the information more easily from the Finance managers of the cooperative bank. The study will use quantitative research approach in which numerical data on a set of potential variables influencing the financial performance of cooperative banks in Rwanda was collected and analysed. Quantitative method begins with statements of theory that leads formulation of hypothesis or research questions. The procedures were deductive in nature, contributing to the scientific knowledge base by theory testing and this makes it suitable for this study. The quantitative method was appropriate for determining relationships and associations and for predicting the relationships of different variables. The data was gathered in quantitative research that exists in numerical and quantifiable form and can be easily subjected to different statistical tools.

Target Population: The population of the study was the employees of Zigama CSS bank. The samples were chosen based on the number of all employees. The study targeted 148 employees of Zigama CSS bank located in Gasabo district.

Sample size: A sample size of respondents defined as definite part of statistical population whose properties are studies to gain information about the case of study. It is not possible to collect data from the whole population due to the time and financial constraints and other employees do not have information about the subject matter. The sample size of the study was determined using Slovin's formula.

$$n = \frac{N}{1 + Ne^2}$$

Where
n = Sample Size
N = Number of Population = 148
e = Significant Error Term (0.05)
So, n = 148 / (1+148x0.05x0.05) =148/1.37 = 108

Sampling technique: The researcher used a stratified sampling method in data collection process. Strata were organized according to departments. The sample within each department was determined using proportionate sampling technique. The respondents within the selected sample were selected randomly.

Data collection Instrumentation: Primary data was collected through structured questionnaires. Study questionnaires were designed accordingly in order to reflect the research question. Questionnaires are essential tools for collecting data that cannot be observed such as respondent's feelings, perceptions and feelings about financial management practices on financial performance. The researcher drafted questions regarding the subject of the study and dispatch them to the target samples to provide their responses. The researcher used structured and questionnaires while collecting data from the samples. The structured questionnaires were pre-selected by the researcher with the educational levels of the respondents.

Secondary data: Secondary data was obtained from Zigama CSS financial reports, committee minutes and from review of literatures related to the topic of study. Interviews were used to collect data from members who do not have enough time to go through the questionnaires and hence one-on-one interview will be ideal.

Data Analysis: Descriptive statistics was used to analyse both qualitative and quantitative data in respect of use or non-use of the respective Financial Management Models and their effect on the cooperative bank, which used them. The same was used to capture general trends. The financial performance and financial management practices for the last five years were analysed.
The model:
$Y = ß0X_0 + ß1X1 + ß2X_2 + ß3X_3 + e$
Where:
Y – Financial performance of cooperative bank as measured by net operating profits.
X1- cash budget
X2 – cash control
X3 – cash planning
ß0, ß1 – Regression Coefficients
e - Error (stochastic term); this includes other factors that affecting cooperative bank financial performance, not covered by the study.
Correlation was used to check the overall strengths of the established regression model and the individual significance of the independent variables. The R^2 was used to measure the significance in relationship between the dependent and independent variables in the study. The specific impact of each variable on the Cooperative profitability was determined various questioned that were administered.

IV. RESULTS AND DISCUSSTIONS

This section analyses and interprets findings from the data collected through questionnaires submitted to the respondents.

Table 1: Respondents view on Zigama CSS has a specific policy on cash balance levels

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	108	100.0	100.0	100.0

Source: Primary source, 2018

Table 1 shows that whether Zigama CSS has a specific policy on cash balance levels, where 100% of respondents said yes, Zigama CSS has a specific policy on cash balance levels.

Table 2: The amount of minimum cash balance in Zigama CSS

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 5000, 000 rwf	108	100.0	100.0	100.0

Source: Primary source, 2018

Table 2 shows that the amount of minimum cash balance in Zigama CSS, where 100% of respondents mentioned that the minimum cash balance in Zigama CSS is 5000,000 rwf.

Table 3: The bank has specific policy on cash balance levels

Sex		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	62	57.4	57.4	57.4
	Agree	46	42.6	42.6	100
	Total	108	100.0	100.0	

Source: Survey Data 2018

Results in table 3 respondents were asked whether the bank has specific policy on cash balance levels, where 57.4% of respondents were strongly agreed and 42.6% were agreed. The results from the survey revealed that, majority of respondent agreed that the bank has specific policy on cash balance levels.

Table 4: The bank has set minimum cash balance values

Sex		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	71	65.7	65.7	65.7
	Agree	37	34.3	34.3	100
	Total	108	100.0	100.0	

Source: Survey Data 2018

Results in table 4 respondents were asked whether the bank has set minimum cash balance values, where 65.7% of respondents were strongly agreed and 34.3% were agreed. The results from the survey revealed that, majority of respondent agreed that the bank has set minimum cash balance values.

Table 5: Huge cash balances in the bank affect it cash efficiency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	48	44.4	44.4	44.4
	Agree	50	46.3	46.3	90.7
	Disagree	10	9.3	9.3	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 5, the respondents were asked, as to whether huge cash balances in the bank affect it cash efficiency where 44.4% of respondents were strongly agreed, 46.3% were agreed and 9.3% were disagreed. The results from the survey revealed that, majority of respondent agreed that huge cash balances in the bank affect it cash efficiency as represent by 90.7% of the respondents.

Table 6: The bank has set optimum cash balance for efficiency operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	58	53.7	53.7	53.7
	Agree	50	46.3	46.3	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 6 respondents were asked whether the bank has set optimum cash balance for efficiency operation, where 53.7% of respondents were strongly agreed and 46.3% were agreed. The results from the survey revealed that, majority of respondent agreed that the bank has set optimum cash balance for efficiency operation.

Table 7: Cash budgeting is an important practice in the Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	39	36.1	36.1	36.1
	Agree	69	63.9	63.9	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 7 respondents were asked whether the cash budgeting is an important practice in the Bank, where 36.1% of respondents were strongly agreed and 63.9% were agreed. The results from the survey revealed that, majority of respondent agreed that the cash budgeting is an important practice in the Bank.

Table 8: The bank invests cash in Short Term marketable security

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	42	38.9	38.9	38.9
	Agree	49	45.4	45.4	84.3
	Disagree	17	15.7	15.7	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 8 respondents were asked whether huge cash balances in the bank affect it cash efficiency where 38.9% of respondents were strongly agreed, 45.4% were agreed and 15.7% were disagreed. The results from the survey revealed that, majority of respondent agreed that huge cash balances in the bank affect it cash efficiency as represent by 84.3% of the respondents.

Table 9: The bank maintains daily cash balances schedules

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	47	43.5	43.5	43.5
	Agree	61	56.5	56.5	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 9 respondents were asked whether the bank maintains daily cash balances schedules, where 43.5% of respondents were strongly agreed and 56.5% were agreed. The results from the survey revealed that, majority of respondent agreed that the bank maintains daily cash balances schedules.

Table 10: The bank has a set policy on investing in marketable securities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	32	29.6	29.6	29.6
	Agree	63	58.3	58.3	87.9
	Disagree	13	12.1	12.1	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 10 respondents were asked whether the bank has a set policy on investing in marketable securities, where 29.6% of respondents were strongly agreed, 58.3% were agreed and 12.1% were disagreed. The results from the survey revealed that, majority of respondent agreed that the bank has a set policy on investing in marketable securities as represent by 87.9% of the respondents.

Table 11: The bank always maintains a buffer cash balance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong agree	43	39.8	39.8	39.8
	Agree	65	60.2	60.2	100.0
Total		108	100.0	100.0	

Source: Survey Data 2018

Results in table 11 respondents were asked whether the bank always maintains a buffer cash balance, where 39.8% of respondents were strongly agreed and 60.2% were agreed. The results from the survey revealed that, majority of respondent agreed that the bank always maintains a buffer cash balance.

The effects of cash management processes in Zigama CSS and its effects on bank financial performance: Considering the effects of cash management processes in Zigama CSS and its effects on bank financial performance, the research established the statistical relationship between cash management processes in Zigama CSS and its effects on bank financial performance. The relationship was established through Pearson correlation analysis using Pearson Moment correlation coefficient as depicted in table below

Table 12: The effects of cash management processes in Zigama CSS and its effects on bank financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.989[a]	.862	.743	3.68511
a. Predictors: (Constant), Investing in market securities, Cash planning, Portfolio diversification				

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
	(Constant)	18.753	4.705		.3.986	.039
	Investing in market securities	9.271	2.149	.091	4.314	.026
	Cash planning	34.894	8.029	.816	4.346	.025
	Portfolio diversification	12.536	2.896	.437	4.329	.024
a. Dependent Variable: financial performance						

The results presented in table 12 tested the effects of cash management processes in Zigama CSS and its effects on bank financial performance. The results from the survey showed a strong and positive relationship between cash management processes in Zigama CSS and financial performance as measured by R-square and adjusted R-square. The results from the survey showed that 86.2% of the variation in the financial performance is caused by cash management and other variables. More to that, the results revealed that there is a positive relationship between Investing in market securities, Cash planning, Portfolio diversification and financial performance of Zigama CSS.

V. CONCLUSION AND RECOMMENDATIONS

The results from the survey revealed a strong relationship between financial management functions and financial performance of Zigama CSS. Therefore, directors and managers should ensure efficient and effective financial management. Cash is a key asset to the bank; cash management policy should be initiated to ensure that the bank always have enough cash. This can be achieved, through cash management, budget management, budgetary controls and corporate governance.

Based on the findings coupled with the objectives of the study the following recommendations were made.

1. Zigama CSS should strengthen their cash management in order to maintain their financial performance.
2. The management of institution should manage the sources of funding and expenditure and allocating those resources in line with organisational priorities and their cost effectiveness.
3. Zigama CSS should provide to staff and cadres trained and fully aware of the financial management systems.
4. Zigama CSS should adopt policies to lower interest rates on loans and increase interest rates on savings and term deposits as the bank maintain cooperative roots in order to promote a borrowing culture and provide a conducive environment for savings mobilization.

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